

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

Financial Statements
and
Independent Auditor's Report

June 30, 2021

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Grady County Criminal Justice Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Grady County Criminal Justice Authority as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Grady County Criminal Justice Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Authority's employees are provided with defined benefit pensions through a cost-sharing multiple-employer plan. For years beginning after June 15, 2014, accounting principles generally accepted in the United States of America require employers participating in cost-sharing plans to recognize their proportionate share of the collective pension amounts for all benefits provided through the plan, which would create a net pension liability in the financial statements and affect the amount of pension expense recognized each year. Management has elected not to implement the pension reporting standards promulgated by the Government Accounting Standards Board (GASB). The amounts by which this departure would affect the liabilities, net position and expenses of the Authority have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Grady County Criminal Justice Authority as of June 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 13 to the financial statements, the Authority adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023 on our consideration of the Grady County Criminal Justice Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grady County Criminal Justice Authority's internal control over financial reporting and compliance.

 Jayna Johnson PC

Duncan, Oklahoma
January 31, 2023

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
Statement of Net Position
Operating Fund
June 30, 2021

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 3,321,667
Accounts Receivable	5,366,883
<i>Total Current Assets</i>	<u>8,688,550</u>

Capital Assets

Facilities Leasehold, Net	11,705,321
Property and Equipment, Net	5,344,519
<i>Total Capital Assets</i>	<u>17,049,840</u>

Restricted Cash

Commissary and Phone Revenue Cash	531,608
Debt Reserve, Repair and Replacement Cash	2,009,968
<i>Total Restricted Cash</i>	<u>2,541,576</u>

Total Assets 28,279,966

Deferred Outflows

Unamortized Debt Refunding Cost	531,384
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Total Assets and Deferred Outflows \$ 28,811,350

LIABILITIES

Current Liabilities

Accounts Payable-Operating	\$ 320,209
Accrued Payroll and Vacation	190,304
Inmate and Commissary Payable	8,909
Accrued Note Interest Payable	43,463
Current Portion 2018 Revenue Refunding Note	687,242
<i>Total Current Liabilities</i>	<u>1,250,126</u>

Long-Term Liabilities

2018 Revenue Refunding Note, Net of Current Portion	11,519,467
<i>Total Liabilities</i>	<u>12,769,593</u>

NET POSITION

Net Investment in Capital Assets	5,374,515
Unrestricted	8,125,666
Restricted for Debt Service	2,009,968
Restricted for Inmate Services	531,608
<i>Total Net Position</i>	<u>16,041,757</u>

Total Liabilities and Net Position \$ 28,811,350

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
Operating Fund
Year ended June 30, 2021

Operating Revenues

Incarceration Services	\$ 11,905,790
Inmate Transportation and Guard	443,047
Telephone and Commissary Commission	1,102,166
Other	9,514
<i>Total Operating Revenues</i>	<u>13,460,517</u>

Operating Expenses

<u>Inmate Services</u>	
Meals	676,558
Medical and Dental (Net of reimbursements)	812,122
Transportation	55,994
Jail Property and Supplies	247,857
	<u>1,792,531</u>
<u>Personnel</u>	
Salaries and Wages	4,407,380
Benefits and Taxes	1,528,508
Workers Compensation Insurance	133,551
Employee Assistance and Appreciation	9,931
Uniforms, Training, Other	68,848
	<u>6,148,217</u>
<u>Facilities and Administration</u>	
Utilities and Communication	314,198
Insurance	142,354
Technology	64,312
Professional Fees	54,431
Maintenance and Repairs	286,349
Office Expense	49,290
Depreciation	382,676
Leasehold Amortization	575,672
Interest Expense	580,043
Bond Refunding Amortization	78,204
Other	2,494
	<u>2,530,023</u>
<i>Total Operating Expenses</i>	<u>10,470,771</u>
<i>Operating Revenues Less Expenses</i>	2,989,746

Non-Operating Revenues and Gains (Losses)

Investment Return	6,518
	<u>6,518</u>
<i>Increase (Decrease) in Net Position</i>	<u>2,996,264</u>
<i>Net Position at Beginning of Year</i>	13,045,493
<i>Net Position at End of Year</i>	<u>\$ 16,041,757</u>

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
Statement of Cash Flows
Operating Fund
Year Ended June 30, 2021

Cash Flows from Operating Activities

Cash Receipts for Inmate Services	\$ 11,063,085
Cash Payments to Employees for Services	(4,411,862)
Cash Payments for Other Personnel Expenses	(1,528,508)
Cash Payments for Interest	(585,081)
Cash Payments to Other Suppliers of Goods or Services	<u>(2,730,048)</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	1,807,588

Cash Flows from Capital and Related Financing Activities

Decrease to Restricted Cash	3,954
Loan Principal Repayment	<u>(1,414,919)</u>
<i>Net Cash Provided by (Used in) Financing Activities</i>	(1,410,966)

Cash Flows from Investing Activities

Purchase of Property and Equipment	(235,401)
Deposits and Investments Interest	<u>6,518</u>
<i>Net Cash Provided by (Used in) Investing Activities</i>	<u>(228,883)</u>
<i>Net Increase (Decrease) in Cash & Cash Equivalents</i>	167,739
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>3,153,928</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 3,321,667</u></u>

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities:**

Operating Revenues Less Expenses	\$ 2,989,746
Adjustments to reconcile operating income to net cash provided:	
Facilities Lease Amortization	575,672
Depreciation	382,676
Increase in Accounts Receivable and Prepaid Expenses	(2,216,905)
Decrease in Accounts Payable and Accrued Expenses	(1,805)
Amortization of Refunding Loss	<u>78,204</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 1,807,588</u></u>

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

ASSETS

Custodial Funds

Current Assets

Cash and Cash Equivalents
Accounts Receivable

\$ 251,944
-
251,944

Total Current Assets

Total Assets

\$ 251,944

LIABILITIES

Current Liabilities

Accounts Payable and Other Liabilities

\$ 120,038
120,038

Total Current Liabilities

Total Liabilities

120,038

NET POSITION

Restricted for Inmates

Total Net Position

131,906
131,906

Total Liabilities and Net Position

\$ 251,944

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended June 30, 2021

Additions		Custodial Funds
Inmate Receipts		\$ 1,638,647
Commission on Web Orders		168,744
	<i>Total Additions</i>	<u>1,807,391</u>
Deductions		
Paid to Vendors for Inmate Services		1,080,645
Commission Paid to Facility		447,193
Inmate Funds Returned		235,267
Other Expense		887
	<i>Total Deductions</i>	<u>1,763,992</u>
	<i>Net Increase in Fiduciary Net Position</i>	<u>43,399</u>
	<i>Net Position at Beginning of Year</i>	88,507
	<i>Net Position at End of Year</i>	<u><u>\$ 131,906</u></u>

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

Notes to Financial Statements

Year ended June 30, 2021

Note 1: Organization and Nature of Activities

Grady County Criminal Justice Authority (GCCJA) is a beneficial public trust created under the authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 2001, Sections 176-180.3, inclusive, as amended, and the Oklahoma Trust Act on August 12, 2002 for the use and benefit of Grady County, Oklahoma (Beneficiary). The purpose of the GCCJA is to operate and maintain buildings and facilities for public use or benefit, including jail facilities in Grady County, Oklahoma. The GCCJA began operating the jail facilities in December 2002. Operating revenues consist of incarceration fees and other service revenues related to operation of the correctional facilities.

The GCCJA is authorized, for the advancement of public purposes, to issue revenue notes and bonds to construct, improve, equip or acquire buildings, facilities or utilities which may be for the benefit of the Beneficiary County or for any other purpose which may enhance the accomplishment of the GCCJA's purposes. In no event do any bonds or other indebtedness of the GCCJA constitute a debt of the State of Oklahoma, or of Grady County, but shall be paid solely from the Trust Estate. The GCCJA has no taxing authority.

Note 2: Summary of Significant Accounting Policies

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies.

A. Basis of Accounting

The accompanying financial statements report the financial position and results of operations of the Authority in accordance with generally accepted accounting principles. These statements are prepared on an enterprise fund basis and present the Authority's operating revenues and expenses in a manner similar to a private business, where the costs, including depreciation, of providing services to the public on a continuing basis are financed or recovered primarily through user charges.

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate reporting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that may be comprised of assets, deferred outflows of resources, liabilities, deferred inflows or resources, net position, revenues and expenses.

The various funds are summarized by type in the financial statements. The following are used by the Authority:

Enterprise Fund

The Operating Fund is the Authority's Enterprise Fund. Enterprise funds, proprietary fund types, are accounted for on an economic resources measurement focus. All assets and liabilities, whether current or long-term, and deferred outflows and inflows of resources associated with the Authority's activities are included on its Statement of Net Position.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

Notes to Financial Statements

Year ended June 30, 2021

Enterprise funds are used to account for operations which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through charges to those who are provided the services. The financial statements are presented using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services in connection with the Authority's principal service of operating a jail. The majority of operating revenues are from jail operations, but other associated miscellaneous services and charges are also included. Revenues and expenses not meeting the operating definition are reported as nonoperating. These nonoperating revenues and expenses consist mainly of interest income.

Fiduciary Fund

Fiduciary funds (trust and custodial funds) account for assets held by the Authority in a trustee capacity or as custodian for individuals, private organizations, other governmental units, or other funds.

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The GCCJA holds funds in inmate accounts that are not derived from the GCCJA's revenues or from a government transaction. The assets are for the benefit of the inmates, and inmates have discretion on how the assets are spent. Although the assets may be used to generate commissary revenue for GCCJA, the assets themselves are not derived from the GCCJA revenue sources.

B. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

C. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the Authority. For the purpose of the statement of cash flows, the Authority considers all demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit and U.S. Treasury bills, (all of which are allowable investment types) with maturities of three months or less to be cash and cash equivalents, with the exception of restricted cash.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

Notes to Financial Statements

Year ended June 30, 2021

D. Accounts Receivable

Accounts receivable include amounts receivable from various agencies for services rendered. The Authority has established an allowance for doubtful accounts receivable to recognize the estimated uncollectible accounts.

E. Investments

Investments are carried at fair value. The increase or decrease in fair value during the year is reported as unrealized gain(loss) in the statement of revenues, expenses and changes in net position. Investments are governed by the Board of Trustees and any restrictions in the Trust indenture, which permits all types of investments. The Board has not formally adopted deposit and investment policies that limit the Authority's allowable deposits or investments (including custodial credit risk on deposits) and address the specific types of risk to which the Authority is exposed.

F. Capital Assets

Property and equipment consist of transport equipment, land, buildings, building improvements and other equipment used in the detention center. Assets are depreciated using the straight-line method, overestimated useful lives of five to twenty years. GCCJA capitalizes items of property and equipment when the cost is at least \$10,000; smaller items are expensed as purchased.

G. Pensions

Authority participates in the Oklahoma Employees Retirement System (OPERS), which is a defined benefit retirement plan, qualified under Section 401(a) of the Internal Revenue Code, for state and local government employees. The plan is a multiple-employer, cost-sharing public employee plan. Authority does not recognize its share of net pension liability in the financial statements, in accordance with GASB Statement No. 68. Pension expense and the related liability are recorded in the financial statements to reflect the 15% employer contribution on eligible gross wages as the expense is incurred.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category. It is comprised of the unamortized cost of a debt refunding when bond debt was retired in 2018 and described in subsequent notes.

In addition to liabilities, the statement of financial position may sometimes report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow or resources (revenue) until that time. The Authority has no items that qualify for reporting in this category.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

Notes to Financial Statements

Year ended June 30, 2021

I. Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net Position is comprised of three components: is classified as net position and displayed according to three types of components: Net Investment in Capital Assets, Restricted and Unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that does not meet the definition of the two preceding categories.

Note 3: Property and Equipment

Following is a summary of changes in the property and equipment accounts during the year:

	6/30/2020	Additions	Sales	6/30/2021
Transport and Equipment	\$ 1,222,901	\$ 149,000	\$ -	\$ 1,371,901
Facility Improvements	130,057	-	-	130,057
Buildings in Service	139,814	-	-	139,814
Buildings not in Service	21,970	-	-	21,970
East Unit	4,500,624	86,401	-	4,587,024
Land in Service	150,942	-	-	150,942
Land not in Service	67,057	-	-	67,057
	<u>6,233,365</u>	<u>235,401</u>	<u>-</u>	<u>6,468,765</u>
Accumulated Depreciation	<u>(741,570)</u>	<u>(382,676)</u>	<u>-</u>	<u>(1,124,246)</u>
	<u>\$ 5,491,795</u>	<u>\$ (147,275)</u>	<u>\$ -</u>	<u>\$ 5,344,519</u>

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

Notes to Financial Statements

Year ended June 30, 2021

Note 4: Restricted Cash

Restricted Cash, stated at \$2,541,576 for business-type activities consists of the following:

Commissary and Phone Revenue Cash - Commissions earned from inmate commissary and telephone charges must be spent on inmate services; the balance of restricted commissary and phone revenue cash was \$531,608 as of June 30, 2021.

Debt Reserve, Repair and Replacement Cash - Pursuant to requirements of the 2018 Revenue Refunding Note Indenture, GCCJA placed \$1,600,000 and \$400,000 in two money market accounts for Note Fund Reserve Account and Repair and Replacement Fund, respectively. The money market accounts bear interest at less than one percent. The combined balance of these two accounts was \$2,009,968 as of June 30, 2021.

Management applies discretion in whether to first apply restricted cash or unrestricted cash when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Note 5: Long-term Obligations and Facilities Lease

2012 Revenue Refunding Bonds - On February 1, 2012, the Grady County Criminal Justice Authority issued Series 2012 Revenue Refunding Bonds (2012 Bonds) in the amount of \$18,310,000 which were sufficient to retire all outstanding correctional facilities debt previously issued by Grady County Industrial Authority. The 2012 Bonds were retired on November 1, 2018 primarily with proceeds from the Grady County Criminal Justice Authority 2018 Revenue Refunding Note.

Facilities Lease - In connection with the 2012 GCCJA debt refunding and issuance of 2012 Bonds, the GCCJA obtained the exclusive right to possess and enjoy the detention center facilities through October 2041 and so long as any part of the indebtedness were outstanding. Costs assigned to obtaining the right to exclusive use of the property were capitalized as the Facilities Leasehold, reflected in the Statement of Net Position:

Facilities Leasehold, Cost	\$17,126,228
Less Accumulated Amortization	<u>(5,420,907)</u>
Facilities Leasehold, Net	<u>\$11,705,321</u>

The leasehold is being amortized over the life of the lease under the straight-line method, which resulted in expense of \$575,672 during the year ended June 30, 2021.

A new facilities lease agreement between GCCJA and Grady County stating agreed terms of the new borrowing and related pledge of assets arising from the 2018 Revenue Refunding Note was executed on November 1, 2018.

2018 Revenue Refunding Note - On November 1, 2018 GCCJA executed the Grady County Criminal Justice Authority Revenue Refunding Note, Series 2018 (2018 Note) in the amount of \$16,000,000 to secure funds toward early retirement of the 2012 Bonds. The 2018 Revenue Refunding Note is considered a note from direct borrowing as defined by Governmental Accounting Standards.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

Notes to Financial Statements

Year ended June 30, 2021

The Indenture for the Grady County Criminal Justice Authority 2018 Revenue Refunding Note provides for 239 consecutive monthly installments payable on the 1st day of each month commencing on December 1, 2018 and a final installment of all unpaid principal and interest due November 1, 2038. Interest is calculated by taking the five-year US Treasury note rate at the time of closing plus two hundred twenty-five basis points and multiply the rate by 1 - corporate tax rate at the time of closing or the adjustment period plus thirty-five basis points which yields the current rate for the following five years. The interest rate will be adjusted on every fifth anniversary of the closing date, November 1, 2018. From July 1, 2020 through June 30, 2021, GCJA paid \$580,043 in interest expense on the 2018 Revenue Refunding Note. Assuming the current rate of 4.42%, Debt service requirements are as follows:

Year Ended	Interest	Principal	Total
2022	\$ 525,767	\$ 687,242	\$ 1,213,009
2023	494,768	718,241	1,213,009
2024	463,633	749,376	1,213,009
2025	428,569	784,440	1,213,009
2026	393,186	819,823	1,213,009
2027-2031	1,377,709	4,687,336	6,065,045
2032-2034	291,882	3,760,251	4,052,133
	<u>\$ 3,975,515</u>	<u>\$ 12,206,709</u>	<u>\$ 16,182,224</u>

GCCJA has assigned and pledged the Facilities Lease and any interest of Authority in the facilities and any interest of Authority in the personal property, improvements and fixtures constituting the facilities, including certain real estate owned, along with pledge of all criminal justice revenues and any other revenue or accounts receivable generated by the Authority as security for payment of the principal and interest on the 2018 Note. Property and equipment pledged has a cost basis of \$5,769,353 and a depreciated book basis of \$5,114,311.

Changes in long-term obligations for the year ended June 30, 2021 are as follows:

	Balance 6/30/20	Increases	Decreases	Balance 6/30/21	Due within One year
2018 Note	\$ 13,621,628	\$	\$ 1,414,919	\$ 12,206,709	\$ 687,242

The 2018 Note from the direct borrowing contains a provision that upon the occurrence of an event of default, and as long as such event is continuing the Bank may by notice in writing declare any amounts owed immediately due and payable.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

Notes to Financial Statements

Year ended June 30, 2021

Note 6: Debt Refunding Cost

The costs associated with issuance of new debt to repay previously issued debt are recorded as a deferred outflow of resources in the statement of net position. GCCJA incurred costs in 2019 of \$500,250 and \$225,832 for bond prepayment fee and remaining unamortized discount, respectively, related to the 2012 Bonds for a total of \$726,082. The resulting loss from debt refunding is recognized as a deferred outflow in the financial statements; the deferred outflow represents the cost of interest savings to be obtained in the future by substituting the new interest rate for the old interest rate. The cost is allocated to future periods as a component of interest expense over the life of the new debt, which is twenty years. For the year ended June 30, 2021, \$78,204 of the debt refunding cost was amortized into interest expense, leaving the stated balance of \$531,384 as of June 30, 2021.

Note 7: Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At June 30, 2021, the balances on deposit with financial institutions for all funds totaled \$5,476,387 and of that amount, \$750,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$2,427,281 was collateralized with securities pledged and held in the name of the pledging financial institution. The remaining \$2,299,106 was uninsured and uncollateralized. Management believes the deposits are placed with high quality financial institutions and the risk of loss is minimal.

Note 8: Retirement Plan

Authority has elected to participate in the Oklahoma Public Employees Retirement System (OPERS), which is a defined benefit retirement plan for state and local government employees. The plan is qualified under section 401(a) of the Internal Revenue Code and participation is mandatory for all eligible employees. An employee is eligible upon employment and expected to work at least 1000 hours per year.

The Authority, through Board resolution, has elected to make employer contributions of 15 percent of gross wages and require employee contributions of 5 percent of gross wages during fiscal year 2020-2021.

Employer contributions for the current and prior two years are as follows:

<u>Year Ended</u>	<u>Contribution Rate</u>	<u>Amount Contributed</u>
June 30, 2021	15.0%	\$590,734
June 30, 2020	15.0%	576,021
June 30, 2019	15.0%	465,782

The Authority has been informed by OPERS there is a potential liability for additional contributions resulting from a failure to make payments into the system on behalf of employees in the initial stages of their employment during the years 2003 through 2013. The potential amount due cannot be reasonably estimated at this time. Plan financial reports and additional plan information, including the Authority's proportionate share of pension liability, may be obtained by contacting Oklahoma Public Employees Retirement System at P.O. Box 53007, Oklahoma City, OK 73152-3007, by calling OPERS at (800) 733-9008, or online at www.opers.ok.gov.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
Notes to Financial Statements
Year ended June 30, 2021

Note 9: Economic Dependence

Over ninety percent of incarceration revenues for the law enforcement center are derived from contracts with the federal government. If the federal government were to withdraw federal inmates from the facilities, it would severely impact the operations of the law enforcement center; however, management believes the need for federal inmate housing will remain constant.

Note 10: Related Organizations

The GCCJA is related to Grady County, Oklahoma as the primary beneficiary of the Authority. GCCJA leases and occupies facilities owned by Grady County, Oklahoma. The revenues of the facilities are pledged on the 2018 Series Revenue Refunding Note.

During June 2016, GCCJA Board of Trustees authorized formation of a separate entity, incorporated in the State of Oklahoma, to facilitate the submission of an application for financing to United States Department of Agriculture. There were no assets or activity in the Grady County Criminal Justice Corporation for the year ended June 30, 2021.

Note 11: Contingencies

The Authority is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the disposition of these claims will not have a material adverse impact on the Authority.

Note 12: Subsequent Events and Commitments

Subsequent events were evaluated through January 31, 2023, which is the date the financial statements were available to be issued.

Note 13: Adoption of Accounting Principle

The Authority implemented provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2021. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The implementation of this Statement resulted in the following restatement of net position for the custodial inmate fund.

Net Position July 1, 2020	\$ -
Implementation of GASB 84	<u>88,507</u>
Net Position as restated July 1, 2020	\$ <u>88,507</u>

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

Notes to Financial Statements

Year ended June 30, 2021

Note 14: Risk Management

GCCJA is subject to risk of general liability related to detention center operations and facilities; property and liability insurance coverage is purchased through the Association of County Commissioners of Oklahoma Self-Insurance Group (ACCO-SIG). Policy deductibles are \$50,000 per claim, with a maximum deductible of \$100,000 per year. In addition to policy premiums, GCCJA may be required to submit a deposit against potential claims each year; however, all payments to ACCO-SIG for insurance premiums and deductibles are reflected as insurance expense in the Statement of Revenues, Expenses and Changes in Net Position because the deductible funding is not refundable.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Grady County Criminal Justice Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of Grady County Criminal Justice Authority, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Grady County Criminal Justice Authority's basic financial statements, and have issued our report thereon dated January 31, 2023.

Our opinion on the financial statements was qualified because management has elected not to adopt accounting standards for pensions that require employers to recognize their proportionate shares of collective pension amounts resulting from participation in cost-sharing multiple-employer retirement plans.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grady County Criminal Justice Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grady County Criminal Justice Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Grady County Criminal Justice Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist and not be identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grady County Criminal Justice Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gayna Johnson PC".

Duncan, Oklahoma
January 31, 2023